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ABSTRACT

The administration of the Law Enforcement Education Program was investigated. The program was managed by the Law Enforcement Assistance Administration until May 1980, when it was transferred to the new Department of Education. The program provides grants and loans to students enrolled in college programs leading to degrees in law enforcement or criminal justice. Students employed full time by publicly funded law enforcement or criminal justice agencies are eligible for grants which need not be repayed if the recipient remains employed by the agencies for at least 2 years after completing the course. The investigation revealed inadequate controls and inaccurate records. Billing and collection problems and other accounting and management deficiencies are discussed. Among the recommendations for correcting problems are the following: computer programs need to be changed to correct problems with billing and cancelled repayment; grant recipients who do not certify employment need to be billed; a comprehensive and aggressive collection program should be adopted; and procedures for controlling and processing payments are necessary. (SW)

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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

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The Law Enforcement Education Program Is In Serious Financial Disarray

The Law Enforcement Assistance Administration, through its Law Enforcement Education Program, gave $278 million in loans and grants for higher education to individuals working or planning to work in law enforcement. Inadequate controls and inaccurate records caused financial and administrative breakdowns. GAO estimates that

--84 percent of those billed did not pay,

--$18.2 million currently owed will not be collected,

--about $2 million that should have been collected was not collected during one quarter of fiscal 1977, and

--about 90 percent of the bills were incorrect.

In addition, GAO found that the reported loans receivable balance of $149.6 million for fiscal 1978 was overstated by $72.4 million. (In May 1980, the program was transferred to the new Department of Education.)

This report recommends improved controls which could increase collections, restore accounting system integrity, and guard against future problems.

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-198805

To the President of the Senate and the
Speaker of the House of Representatives

The Government has lost millions of dollars because the Law Enforcement Assistance Administration failed to properly bill and collect many loans made under the Law Enforcement Education Program. This report discusses the billing and collection problems and other accounting and management deficiencies. The Law Enforcement Education Program was transferred to the new Department of Education after audit completion. Therefore, the report's recommendations for corrective actions are to the Secretary of Education.

This review was the first in a series of reviews of major loan programs we plan to conduct in the next 3 years. These reviews will concentrate on the adequacy of loan accounting systems with special emphasis on billing and collection policies and procedures. Aggressive collection efforts could substantially reduce the hundreds of millions of dollars lost annually through loan defaults.

We are sending copies of this report to the Director of the Office of Management and Budget, the Secretary of Education, and the Attorney General.

Comptroller General
of the United States

AUG 18 1980

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

THE LAW ENFORCEMENT EDUCATION PROGRAM IS IN SERIOUS FINANCIAL DISARRAY

D I G E S T

Since 1969 the Law Enforcement Education Program made over $278 million in loans and grants without adequate management controls to ensure that:

--individuals repay loans when they are due,

--accurate records are maintained, and

--grants and loans are made to congressionally intended recipients.

Congress established the program in 1968 to assist those working in law enforcement or planning to work in law enforcement obtain a higher education. Grants and loans are made to individuals enrolled in law enforcement or criminal justice courses at almost 1,000 junior colleges, colleges, and universities. The grants and loans are forgiven (canceled without repayment) if the recipient works for a publicly supported law enforcement or criminal justice agency for a specified period. Otherwise, the recipient must repay the grant or loan with interest.

The program was transferred from the Law Enforcement Assistance Administration (LEAA) to the new Department of Education in May 1980.

BILLING AND COLLECTION WEAKNESSES

LEAA did not properly bill and collect for grants and loans. GAO estimates that 84 percent of those billed did not pay or seek forgiveness by certifying that they were employed by a qualifying law enforcement agency.

During a 3-month period in fiscal 1977, collections were an estimated $2 million less

than they should have been and at least $18.2 million which should be collected in the next few years will not be collected. LEAA's efforts to collect were weak. (See pp. 10 and 11.)

Collections are further reduced because of inaccurate billing. Most individuals are billed less than they owe, a few are billed more than they owe, and others are not billed. GAO estimates that 90 percent of the bills included incorrect interest charges, usually less interest was billed than was owed. (See pp. 5 - 8.)

These billing and collection problems were caused by computer program errors and a lack of aggressive collection followup. (See pp. 8 and 11.)

PAYMENT PROCESSING IS INADEQUATE

Payment checks were not promptly deposited and were poorly controlled from the day received until they were deposited in the Federal Reserve Bank. Specific weaknesses include:

--Late deposit of most checks. A total of 225 checks for $29,000 received in June and July 1978, were not deposited until the third week of September 1978. (See p. 12.)

--Checks left on file cabinets and desks for several days were readily accessible to anyone in the area. (See p. 13.)

--Individual accounts not promptly updated to reflect the payment. For example, 31 checks were deposited in December 1977, but accounts were not credited with the payments until August 1978. (See p. 13.)

The basic cause of these problems is the absence of a formal payment processing system.

FORGIVENESS NOT CONTROLLED

The laws governing the program provide that grants and loans may be forgiven if the recipients are employed by law enforcement or criminal justice agencies for a specified period. LEAA regularly sends these individuals a form for certifying employment with a qualifying agency. One-third of the recipients, however, do not return the certification. In such cases, LEAA sends out another certification form, usually the following year, instead of sending a bill. Under this procedure, recipients who never return the certification are never billed. (See pp. 18 and 19.)

In addition, accounting controls for returned certifications were inadequate. Specifically:

--GAO estimates that 23 percent of the forgiveness computations were incorrect. Usually individuals did not receive all the forgiveness they were entitled to. (See p. 17.)

--Forgiveness has been granted for employment with agencies which have little to do with criminal justice. An employee of the Society for the Prevention of Cruelty to Animals, a Federal internal auditor, and a consumer advocate had grants and loans forgiven. An individual who asked for additional time to repay instead had his loan forgiven. (See p. 20.)

The forgiveness problems are caused by computer program errors and a lack of controls over granting forgiveness. (See pp. 16-18.)

INADEQUATE REPORTING

Loans and grants are not accurately recorded or reported to the Treasury Department. GAO estimated that the loans receivable balance of $149.6 million LEAA reported for September 30, 1978, was overstated by at least $72.4 million, because allowance accounts were not established for grants and loans that

will be forgiven. The balance may be further overstated because an allowance for uncollectible grants and loans was not established and LEAA had no support for its yearend estimate of the amount of grants and loans awarded but not processed by the accounting system. (See pp. 25 and 26.)

PROGRAM ADMINISTRATION PROBLEMS

Some participating universities, colleges, and junior colleges did not follow LEAA guidelines. Also, LEAA management did not effectively monitor the schools' performance and compliance with regulations. (See pp. 30 and 33.)

APPROVAL OF ACCOUNTING SYSTEM

In September 1979, the Comptroller General approved the design of a new Law Enforcement Education Program accounting system. It incorporates many of the controls this GAO report recommends and potentially could correct many of the accounting problems. However, Department of Education management must make sure that the new system is promptly installed, adequately staffed, and effectively operated.

RECOMMENDATIONS

The Secretary of Education should promptly implement the new Law Enforcement Education Program accounting system and see that:

--Computer programs are changed to correct the billing and forgiveness problems, and are fully documented.

--Bills are sampled and reviewed periodically until full reliance can be placed on the computer.

--Grant recipients who do not certify employment are billed.

--A comprehensive and aggressive collection program is adopted.

--Procedures are established for controlling and processing payments.

--Procedures for estimating allowances for uncollectible accounts, writing off bad debts, and estimating unrecorded grants and loans are established.

--The schools' implementation of program guidelines is better monitored.

AGENCY COMMENTS AND OUR EVALUATION

In a March 13, 1980, letter the Assistant Attorney General for Administration generally agreed with GAO's findings and recommendations. His letter discussed some of the causes of the problems identified, and the actions taken during 1979 to correct a number of them. He said lack of staff, large volume of accounts, computer errors, and incorrect addresses for aid recipients caused many of the problems. Furthermore, he said that LEAA had already implemented some of GAO's recommendations by changing procedures or refocusing priorities but that implementation of the new accounting system was delayed pending transfer of the program to the Department of Education. (See app. I.)

The Assistant Attorney General, however, questioned GAO's finding concerning the year-end loans receivable balance. This and other matters are discussed on pages 28 and 29.

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ABBREVIATIONS

GAO	General Accounting Office
LEAA	Law Enforcement Assistance Administration
LEEP	Law Enforcement Education Program

CHAPTER 1

INTRODUCTION

In response to growing concern over crime in the United States, Congress enacted the Omnibus Crime Control and Safe Streets Act of 1968 (Public Law 90-351) to control crime through strengthened and improved law enforcement. This act established the Law Enforcement Assistance Administration (LEAA) in the Department of Justice to assist State and local governments in reducing crime and to increase the effectiveness, fairness, and coordination of law enforcement and criminal justice systems at all levels of government. The act established the Law Enforcement Education Program (LEEP) to provide financial assistance to individuals for higher education in law enforcement and criminal justice. In May 1980 LEEP was transferred to the new Department of Education.

TYPES OF FINANCIAL ASSISTANCE PROVIDED

LEEP provides grants and loans to students enrolled in junior college, college, or university--undergraduate or graduate--programs leading to degrees in law enforcement or criminal justice. Grants are made to students who are employed full time by publicly funded law enforcement or criminal justice agencies. The grant recipient must agree to remain employed by a law enforcement or criminal justice agency for at least 2 years after completing the course for which the grant was received. If the employment criteria is met, the grant is forgiven (canceled without repayment); if it is not met, the grant must be repaid, with interest, to LEAA. (In effect, the grant becomes a loan.) The maximum grant under LEEP is $400 per semester or $250 per academic quarter.

Loans are made to full-time students who are employed by police or correction agencies or who are preparing for employment in law enforcement or criminal justice. Loans may be forgiven if the recipient is employed full time by a law enforcement or criminal justice agency subsequent to completion of the course for which the loan was received. (In effect, the loan becomes a grant.) Forgiveness is earned at the rate of 25 percent of the amount of the loan, plus interest, for each year of qualifying employment. Therefore, the total loan can be forgiven in 4 years. The maximum loan amount is $1,100 per semester or $733 per academic quarter.

The following summarizes eligibility for LEEP assistance and requirements for forgiveness.

Student's enrollment status	Student's employment status	Type of funding	Additional years employment in law enforcement to cancel debt
Part time	Full time	Grant	2
Part time	None or part time	Not Eligible	-
Full time	None or part time	Loan	4
Full time	Full time	Grant or a/Loan	2 or 4

a/A full-time student employed by a qualifying agency may receive either a grant or a loan. If tuition exceeds $400, the student may receive both a grant and a loan.

LEAA records show that as of September 30, 1978, over 312,000 individuals had received $278 million in LEEP grants and loans. The majority of the awards, $190 million, were grants and as such went to individuals employed by law enforcement or criminal justice agencies.

LEEP ADMINISTERED BY LEAA AND SCHOOLS

The responsibility for administration and control of LEEP is shared between LEAA and almost 1,000 schools participating in the program. LEAA is responsible for:

--establishing and maintaining program regulations;

--providing the schools funds to give students for grants and loans;

--accounting for grants and loans (including establishing and maintaining records of amounts individuals receive, billing, collecting, and determining amounts to be forgiven); and

--monitoring schools' implementation of LEEP regulations.

LEAA treats grants and loans the same for accounting purposes. Both are considered "loans receivable" and are

reported together on financial statements to the Treasury Department. As of September 30, 1978, LEAA reported loans receivable of $149.6 million.

The LEEP accounting system is operated and maintained by LEAA's accounting division under LEAA's comptroller. LEEP program administration is the responsibility of the Office of Criminal Justice, Education, and Training.

In general, the schools are responsible for:

--determining the eligibility of a student to receive a grant and/or a loan,

--giving LEEP grants and loans to eligible students,

--providing LEAA with documentation needed for the LEEP accounting system, and

--complying with program regulations established in LEAA's Guidelines Manual.

Schools participating in LEEP annually apply to LEAA for grant and loan funds. Based on available funds, LEAA makes an award to each school and advances funds. Students apply to the schools for grants and loans and sign promissory notes obligating themselves to repay LEAA if they are not employed by a law enforcement or criminal justice agency. The schools forward to LEAA the promissory notes together with financial reports for the program.

LEEP TRANSFERRED TO DEPARTMENT OF EDUCATION

LEAA was responsible for LEEP management and administration when we did the review. In October 1979, legislation which established the Department of Education transferred LEEP to the new Department. 1/ LEEP was officially transferred to the Department of Education in May 1980. Because LEEP is now the responsibility of the Department of Education, we are directing recommendations for corrective action to the Secretary of Education.

LEEP ACCOUNTING SYSTEM APPROVED BY THE COMPTROLLER GENERAL

The design for a new LEEP accounting system was approved by the Comptroller General in September 1979, subsequent to

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1/ See C.G. Decision B-198096, May 8, 1980.

the completion of this audit. Many of the accounting system deficiencies discussed in chapters 2, 3, and 4 should be corrected if the approved system is implemented. However, Department of Education management must be vigilant to ensure that the new system is promptly implemented, operates effectively, and is checked by internal auditors from time to time.

CHAPTER 2

BILLING AND COLLECTION SYSTEM

NEEDS DRASTIC IMPROVEMENT

Bills for grant and loan payments are inaccurate and collections are reduced because of billing system errors and weak collection efforts. Most individuals are billed for less than they owe, a few are billed more than they owe, and others are not billed at all. We estimate that 90 percent of the bills are incorrect, usually because the computer program supporting the accounting system improperly computes interest owed or amount of payment required. Few individuals pay their bills and followup collection actions are ineffective. We estimate that at least $18.2 million which should be collected in the next few years will not be collected unless LEAA adopts stronger collection efforts. In addition, the payments received are not promptly deposited nor adequately controlled to prevent loss or theft.

LOAN AND GRANT BILLING REQUIREMENTS

The Omnibus Crime Control and Safe Streets Act of 1968, as amended, requires individuals who are not employed by law enforcement or criminal justice agencies for a specified period to repay their LEEP grants or loans to LEAA. The grants and loans must be repaid over a maximum of 10 years. Generally, grants become payable the month following termination of employment with a law enforcement agency. Loans become payable 6 months after course completion unless qualifying employment has been obtained. Those who must repay are billed quarterly by the LEEP accounting system for principal plus 7 percent simple interest. The minimum quarterly payment is $150 or the total amount of the grant or loan, whichever is less. A computer program supporting the accounting system determines which individuals should be billed, computes the amount of principal and interest due, and prints the bills which are mailed to the debtors. Approximately 72,000 bills are sent annually.

BILLS ARE WRONG

Most bills sent to individuals who are required to repay their grants or loans are incorrect. Usually, amounts billed are less than they should be because the interest due is incorrectly computed or no interest is charged. However, a few individuals were overcharged interest. Other bills were incorrect because they required less than the minimum payment

established by LEAA. In addition to incorrect bills, there are indications that bills are not sent to all individuals who should be billed.

Interest not properly billed

The interest billed is frequently incorrect because of computer program errors. The program computes interest from an incorrect starting date for most bills and computes no interest for a few other bills.

Based on a statistical sample of bills, we estimate that 90 percent of the bills due January 1, February 1, and March 1, 1978, included incorrect interest charges. Of the incorrect bills, 83 percent included interest undercharges and 17 percent had interest overcharges. Almost 17,000 individuals were billed for approximately $1.5 million in interest during our sample months. Based on sample results, we estimate that interest charges for the 3-month period should have been $1.89 million. The additional $390,000 is the net amount of an estimated $450,000 undercharged and $60,000 overcharged interest.

The following examples illustrate the type of interest computation error made by the computer program.

--An individual was billed for 125 months interest, beginning September 1967. The date used to calculate interest was nine months before LEAA was established.

--An individual with a loan of $1,740 was billed for $669 interest. Interest should have been $862 which is $193 more than billed.

--A third person was billed for interest of $161 when he should have been billed for $74. This person paid the bill--$87 more than owed.

Some individuals were not billed for any interest for extended periods of time. We selected 20 individuals whose December 1, 1976, bills did not include an interest charge and reviewed subsequent billings to these individuals. Ten of them were not billed for any interest until January 1979. They received six consecutive quarterly bills, from December 1976 to March 1978, with the same amount of principal and no interest. Subsequent to the March 1978 billing, the computer program malfunctioned and the 10 individuals were not billed until January 1979. The January 1979 bills included 10 months interest for March 1978 to January 1979 but no interest was charged for December 1976 through February 1978.

Two other people whose bills we reviewed were billed for interest for the first time in June and December 1977 respectively, and received 6- and 12-month loans interest free. The remaining eight individuals either were charged interest or were not billed after December 1976.

Bills for incorrect payments

Some individuals were billed for less than they should have been. LEAA regulations established a minimum payment of $150 or the total amount outstanding, whichever is less. Because of a computer error, some individuals were billed for less than $150 even though their outstanding balances exceeded $150. For example:

--Of the 171 individuals with bills due July 1, 1978, 15 were billed for less than $150. These individuals had outstanding balances ranging from $220 to $3,430.

--Of the first 1,132 bills due October 1, 1978, 106 were for less than $150. All 106 individuals had outstanding balances over $150.

In some cases, individuals were billed the proper minimum amount one month and an incorrect amount on subsequent billings. For example:

--An individual was correctly billed for $150 in July 1978 but incorrectly billed for $45 in October 1978. No payment was made nor was the principal loan amount reduced between the two billings.

--An individual was correctly billed for $150 for six consecutive billings between January 1977 and March 1978. The individual was not billed from April 1978 to January 1979. The January 1979 bill was for $65.79 even though the principal due had not changed since the January 1977 bill.

Individuals who should have been billed were not

Some individuals who should have been repaying their grants and loans were not billed. Most of those not billed were grantees who did not certify employment with a law enforcement agency. Some loan recipients also were not billed.

Grant and loan recipients who do not work for a law enforcement or criminal justice agency after completing a course for which assistance was received are required to

repay the grant or loan. To verify employment, LEAA periodically sends a statement to recipients asking that they certify their employment by a qualifying agency. Failure to certify employment indicates that the aid recipient may not be employed by a qualifying agency and should be billed for repayment. This will require the aid recipient either to begin repayment or to certify qualifying employment.

LEAA officials told us that individuals who do not certify employment are not billed but continue to receive employment certification requests. Based on a statistical sample, we estimate that 32 percent of the 250,000 employment certifications sent annually are not returned to LEAA. (See ch. 3.) Most of the certifications are sent to grant recipients since grants make up most of the LEEP assistance. It is reasonable to expect that most of the unreturned certifications are attributable to grant recipients.

The following examples illustrate the unreliability of the billing system:

--An individual made a payment and stated, "I have not been receiving regular billing statements..."

--Another person wrote to LEAA, "It was somewhat disturbing to receive a notice that I am 'delinquent' in repaying my loan when this is the first and only notice I have ever received concerning the loan..."

--An individual was billed and paid $150 in 1972. He had an $85 balance but was not billed again until October 1978.

--An individual was billed, made no payment, did not certify employment, did not ask for a deferment, was not put into default, and was not billed for several months. This individual was sent bills due December 1, 1976, March 1, 1977, June 1, 1977, and September 1, 1977. He did not respond to the bills and no further bills were sent until September 1978.

Computer program errors cause wrong bills

Incorrect bills result from computer program errors in interest calculations and amounts to be repaid, and in determining who should be billed. The billing system is highly automated and LEAA depends entirely on the computer program to automatically produce accurate bills. We tried to determine how and why the program malfunctioned and what corrective action was needed, but were stymied because the program is virtually undocumented.

The computer program was written several years ago, has been frequently modified, and up-to-date documentation 1/ is not available. A narrative explaining program functions and detailing interest and billing amount computations is lacking. Without this type of information, we were precluded from determining, in most cases, how the program malfunctioned. By reviewing bills and individual records, we were able to determine that the program malfunctioned but we could not determine how or why. However, the results of the malfunction are clear --incorrect interest charges and incorrect payment requests.

The computer program does not compute interest in accordance with LEEP guidelines. Loan recipients are allowed 6 months, interest free, between course completion and first payment. Grant recipients should be charged interest from the month following their employment termination in law enforcement or criminal justice. The computer program calculated interest from various dates depending on whether grant or loan recipients were being billed. Some loan recipients were given the interest free grace period and others were not. Some grant recipients were charged interest from 2 months after graduation from school rather than the month following employment termination. Other individuals, both grant and loan recipients, were charged interest only from the date of their first payment. In most cases, we could not determine why interest started at a specific date nor could we find a pattern indicating specific interest start dates. Interest appeared to be computed from a random month determined by the computer program.

We also could not determine why the program prepared bills for less than the minimum payment nor could we find a pattern of incorrect payments. Some individuals were properly billed one quarter and improperly the next. Other individuals were always billed for less than the minimum payment. LEAA officials could not tell us why bills requiring improper payments were prepared. Apparently some intermittent computer error caused the problems.

To correct the billing problems, management must have the computer program reviewed to determine why and how the errors occurred. Once found, they should be corrected and the program documented to facilitate future modifications and error detection. To ensure that the corrected program operates properly and to alert management to future billing malfunctions, a sample of bills should be reviewed at least

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1/Diagrams, flow charts, and narrative explanations showing the steps of the program.

once a year. This review should include a verification of the interest billed and total payment required. In addition, the master file of individual accounts should be tested periodically to ensure that all individuals who should be billed are billed.

FEW BILLS ARE PAID AND COLLECTIONS ARE LOW

Most individuals billed for loan and grant repayments do not pay their bills and LEAA followup collection efforts are weak and ineffective. As a result, collections are reduced. We estimated that during a 3-month period in fiscal 1977, $2 million of $2.7 million billed was not collected. Furthermore, we estimate that $18.2 million that should be collected will not be collected in the next few years, unless LEAA improves its collection practices.

We statistically sampled bills due December 1, 1976, January 1, 1977, and February 1, 1977, and checked records to see if payments were made. Over 84 percent of the individuals billed did not pay or respond in any way to the bills. Of the individuals who responded, 9 percent paid and 7 percent informed LEAA that they were employed by law enforcement or criminal justice agencies and, therefore, were not required to pay.

Bills totaled approximately $2.7 million during the 3 sample months. Based on our sample results, we estimate that $416,000 was paid and another $254,000 was satisfied by employment, leaving just over $2 million delinquent and unpaid.

The following chart illustrates total billings and collections during fiscal years 1975 through 1978.

Fiscal year	Amounts (millions) Billed	Collected
1975	$12.4	$1.6
1976	12.8	1.7
1977	9.1	1.2
1978 (To 6/30/78)	4.1	0.8
Total	$38.4	$5.3

We were not able to estimate how much of the uncollected $33.1 million was forgiven for employment or how much should have been collected. However, we did estimate the future amounts which may be uncollectible.

According to LEAA records, on September 30, 1978, loans and grants with a principal balance of $24.2 million were

being billed. Using statistical sampling, we estimated that about $6 million of this amount would be paid or satisfied by qualifying employment. This would leave an estimated $18.2 million which is due but will not be collected unless LEAA improves its collection efforts. The following chart illustrates the computation of the amount that may not be collected.

Principal balance as of Sept. 30, 1978	$24.2 million
Estimated to be paid or forgiven	- 6.0 million
Estimated to be uncollected	$18.2 million

In addition even more will be lost because interest on the $18.2 million principal will not be collected.

The Federal Claims Collection Act of 1966 and the implementing Joint Standards promulgated by the Attorney General and the Comptroller General require each agency to establish collection procedures. The standards require agencies to take prompt and aggressive action to collect loans due the Government. When agency collection efforts are unsuccessful, legal action may be needed to collect the amounts due.

LEAA makes little or no effort to collect from those who do not pay their bills or certify employment by law enforcement or criminal justice agencies. Individuals who do not pay continue to receive bills regularly. Thirty of 171 individuals who were sent bills due July 1, 1978, previously ignored one or more bills. One individual was billed six times between January 1, 1977, and April 1, 1979, and ignored all six. Seven others each were billed five times during that same period. LEAA's only collection effort was to continue sending bills. Nonpayers were not contacted by phone or sent letters demanding payment. We could find no cases where LEAA asked Justice Department attorneys to bring legal action against delinquent borrowers.

Individuals have little or no incentive to pay their bills. If they ignore enough bills, LEAA may stop billing and cease collection efforts. LEAA officials told us that if an individual ignores three consecutive bills, his account should be placed into default by the billing system. A bill should then be sent demanding full payment for the outstanding balance plus interest. If this bill is ignored, no additional bills would be sent and no further collection actions taken. According to LEAA personnel, the billing system has never consistently placed individuals into default and most nonpayers continue to be billed.

LEAA's collection policies and procedures encourage nonpayment of bills and cause low collections. By ignoring their bills, individuals are able to avoid repayment. There is no incentive to pay, since LEAA does not seriously attempt to collect nor is any penalty imposed on nonpayers. Thus, LEAA collects much less than is owed.

In a March 13, 1980, letter, the Assistant Attorney General for Administration said that the limited staff assigned to LEEP accounting contributed to the billing and collection problem. Four full time and two part-time employees and 12 student aides (who work 16 hours per week) were responsible for maintaining over 200,000 active accounts. The Assistant Attorney General said that the work associated with establishing, maintaining, and updating these accounts leaves little time for correcting billing system errors and collection followup.

CONTROL OF RECEIPTS MUST BE IMPROVED

Payments are not promptly deposited and are poorly controlled from the time they are received until they are deposited in the Federal Reserve Bank. As a result of deposit delays and control problems, LEAA's cash management is ineffective and the potential for loss or theft of payments is substantially increased. The basic cause of the problem is the absence of a formal payment processing system defining the responsibilities of the individuals processing payments, and providing for a separation of duties among those handling the payments and those with access to payment records.

Treasury Department regulations and GAO accounting principles and standards require that all collections be recorded immediately after receipt and that duties be divided among employees handling and maintaining records of collections so that checks on employee performance are provided. No one individual may have control of both the receipts and associated control records.

We found the following specific deficiencies in payment processing:

--Payments are not promptly deposited. We estimate that payments are usually deposited in the Federal Reserve Bank between 16 and 20 days after receipt. Processing times range from 5 to 53 days. In addition, two groups of checks totaling $29,000 received in June and July 1978 were not deposited until the third week of September 1978.

--Controls over payment checks have not been established. Checks are recorded as received between 1 and 5 days after receipt. During this time, the checks are in an "out basket" easily accessible to everyone in the area and subject to loss or theft. This problem is particularly significant because some checks do not have a payee filled in and could be cashed easily. Once recorded, the checks and associated control logs are kept together through processing until the checks are deposited. During processing, several different individuals handle both the checks and corresponding control logs. This causes a breakdown of internal controls and substantially increases the potential for theft. There are no controls to alert management to the theft or loss of checks, and to ensure that all the payments deposited in the Federal Reserve Bank are posted to individual accounts.

--Individual accounts are not promptly credited with payments. One group of 31 checks for $3,300 was processed and deposited in the Federal Reserve Bank in December 1977, but the accounting system did not credit individual accounts with the payments. Several individuals complained to LEAA. Accounting personnel researched the problem, determined that payments were not credited, prepared new payment documentation, and the accounts were updated in August 1978.

The basic cause of check processing and depositing problems is the lack of a formal documented payment processing system defining how payments should be processed and how quickly they should be deposited. This results in control breakdowns and leads to deposit delays because employees do not recognize the importance of depositing payments as quickly as possible.

To reduce the deposit delays and establish the needed internal control, LEAA should establish procedures for processing payments. These procedures should clearly define the responsibilities of the employees processing payments and separate the duties of those handling checks from those preparing and maintaining control records. Timeframes should be established for processing so that checks are deposited as quickly as possible. Amounts deposited should be compared with amounts posted to individual accounts and discrepancies brought to management's attention for resolution. Employees should be thoroughly trained to follow the procedures and accounting division management should closely monitor payment processing to ensure that payments are promptly deposited and controls are effective.

CONCLUSIONS

The Government is losing millions of dollars every year because the LEEP billing and collection system has too many errors to be effective. Collections were $2 million less than they should have been during a 3-month period in fiscal 1977 and we estimate future undercollections of $18.2 million. LEAA management did not carry out its responsibilities to bill and collect all the money it was owed. Borrowers had little incentive to pay their bills because LEAA took virtually no followup action on delinquent accounts. In addition, the payments received were inadequately processed and poorly controlled. As a result, payment checks were not promptly deposited and management had no assurance that all payments received were deposited and credited to the proper accounts.

The new LEEP accounting system approved by the Comptroller General is designed to correct many of the billing and collection problems GAO found. It is vital that Department of Education management ensure that the new system is promptly implemented and that no major modifications are made to the design before it becomes operational. This will ensure a quick solution to the billing and collection problems we found.

RECOMMENDATIONS

We recommend that the Secretary of Education promptly implement the new LEEP accounting system. In installing the new system, the Secretary should see that:

--The computer program supporting the accounting system is changed to correct the billing problems and is fully documented.

--A sample of bills are reviewed periodically until the computer can be relied on.

--Grant and loan recipients who do not certify employment are billed.

--A comprehensive and aggressive collection program is adopted incorporating the requirements of the Federal Claims Collection Act of 1966 and the implementing Joint Standards.

--Procedures are established for controlling and processing payment receipts. The procedures should provide for

- depositing receipts promptly,
- controlling checks upon receipt,
- comparing deposits with amounts posted to individual accounts, and
- separating duties so that the same person does not have access to checks and controlling documents.

AGENCY COMMENTS AND OUR EVALUATION

In his March 13, 1980, letter, the Assistant Attorney General for Administration said that LEAA has been aware of the billing problems and agreed that most errors occur because the computer program improperly computes interest or the amount of payment required. Despite many attempts, LEAA has not been able to correct the problems associated with the computer program. He said that the new LEEP accounting system necessitates designing a new computer program. System implementation has been delayed because of LEEP's impending transfer to the Department of Education.

The Assistant Attorney General said that the staff assigned to LEEP accounting is very small and the workload extremely heavy which contributes to the billing and collection problems. He said that despite the workload, LEAA recently initiated a major effort to reduce delinquent accounts and that this effort will increase cash receipts. In addition new check processing and deposit procedures have been adopted in accordance with our recommendation.

We believe that the eventual implementation of the new LEEP accounting system, continued followup collection actions, and the effective adoption of a new check deposit system should substantially correct the problems we reported.

CHAPTER 3

FORGIVENESS OF GRANTS AND LOANS IS WEAK AND INEFFECTIVE

The Omnibus Crime Control and Safe Streets Act, as amended, provides that grants and loans may be forgiven if the recipients are employed full time by law enforcement or criminal justice agencies for a specified period. LEAA does not adequately control grant and loan forgiveness and does not administer forgiveness in accordance with the law and administrative regulations. We estimate that 23 percent of the forgiveness computations are incorrect, usually because of computer program errors. Many individuals who work for law enforcement or criminal justice agencies do not have their grants and loans properly forgiven. Other individuals who work for nonqualifying agencies earn forgiveness. LEAA's improper granting of forgiveness results in inaccurate accounting records and an overstatement of the loans receivable balance reported to Treasury.

REQUIREMENTS FOR EARNING FORGIVENESS

LEAA has established regulations governing the forgiveness provisions of the above-mentioned act. To have a grant forgiven, recipients are required to continue working full time in the same field for 2 years following completion of the course for which a grant was received. Grantees who do not work full time for 2 years in qualifying employment are required to repay the grant plus 7 percent interest.

An individual may receive a loan without being employed but subsequently must work in law enforcement or criminal justice to have the loan forgiven. Loans are forgiven over 4 years at the rate of 25 percent for each year of qualifying employment. LEAA allows loan recipients a 6-month grace period following course completion to find qualifying employment. The loan must be repaid if the recipient does not find such employment.

FORGIVENESS IMPROPERLY CALCULATED BY COMPUTER PROGRAM

The computer program which supports the LEEP accounting system improperly computes the amount of forgiveness earned by aid recipients. Based on a sample of individuals whose grants and loans are being forgiven, we estimate that 23 percent of the forgiveness computations are incorrect. Eighteen percent of the accounts had less forgiven than should have been and 5 percent had amounts forgiven which should not have

been. The individuals in our sample had approximately $247,000 in grants and loans forgiven. We estimate that about $260,800 should have been forgiven. The following chart summarizes the overforgiveness and underforgiveness of sample accounts.

	Number of accounts	Percent	Total amount per category
Accounts underforgiven	35	18	$14,400
Accounts overforgiven	10	5	600
Total	45	23	

The forgiveness computations for both grants and loans are incorrect. In cases where an individual received both a grant and a loan for the same semester or classes, the forgiveness computations for both were incorrect.

One case illustrates the forgiveness problem. An individual received four loans totaling $632 between September 1970 and November 1971. This person was continually employed full time by a police department from July 1965 through July 1978, a period of 13 years. He informed LEAA of his employment and his records were updated, but none of the loans were forgiven.

In addition to testing forgiveness computations on a sample basis, we made a computer analysis of all grants dated prior to 1976. According to the forgiveness criteria established by the Congress and LEAA these grants should either be totally forgiven or they should be in repayment status. 1/ Our analysis showed that 170,000 grants (approximately 21 percent) for over $26 million were partially forgiven rather than being totally forgiven or in repayment status.

The computer program supporting the accounting system does not calculate forgiveness in accordance with LEEP regulations. In many cases, the program does not base the forgiveness computations on the certified employment dates in the individual's record. Some other date, such as graduation date, is used for the forgiveness computation. For most individuals earning forgiveness for grants, we could not determine specifically which dates were used and why.

1/A few grants may have been deferred and may not be totally forgiven but these should number under 1,000.

When computing loan forgiveness, the computer program does not allow forgiveness for the first year an individual is employed by a law enforcement or criminal justice agency. Loans are to be forgiven at the rate of 25 percent per year and totally forgiven in 4 years. Due to a program error, no forgiveness is computed for an individual's first year of employment and 5 years of employment are required for a loan to be totally forgiven.

LEAA is entirely dependent on the computer program to properly compute forgiveness but the program is not documented making it difficult to determine how forgiveness computations are made and if they are correct. We found similar problems with the computation of interest due on bills. (See ch. 2.)

LEAA does not verify, even on a test basis, the computer program calculations and has no assurance that the computer forgiveness is correct. We manually calculated the forgiveness that should have been earned by the individuals in our sample and found the errors previously discussed. LEAA should test the forgiveness computations to detect errors and should adjust individual accounts to reflect the proper forgiveness. At least once a year, a sample of accounts earning forgiveness should be selected and the amount of forgiveness credited to each account should be verified. When errors are detected, the individual accounts should be corrected. Additional work should be done to determine why forgiveness was improperly computed and action should be taken to correct the cause.

EMPLOYMENT CERTIFICATION PROCESS IS NOT CONTROLLED

To provide a basis for computing forgiveness for loans and grants, LEAA requests that aid recipients annually certify their employment by a criminal justice or law enforcement agency. The employment certification process is uncontrolled and results in the forgiveness of grants and loans being incorrectly calculated and in unreliable and inaccurate accounting records. Specific problems include:

--Many individuals do not certify employment.

--Incorrectly certified employment is accepted as correct.

--Proper certifications are not processed.

--Employment is not certified annually.

--Validity of the certifications is not tested.

Many individuals do not certify employment

Many individuals who should certify their employment do not. We estimate that 32 percent of grant and loan recipients sent certification requests by LEAA do not return them. We selected a statistical sample of 309 individuals who should have returned employment certifications to LEAA during December 1976 and January and February 1977. Ninety-nine individuals (32 percent) did not return the certifications. LEAA did not have current addresses for all aid recipients who were mailed certifications. Some individuals may not have received a certification and were precluded from certifying employment.

LEAA officials told us that failure to certify employment does not usually result in the individual receiving extra requests to certify or being placed in repayment status. In most cases, the individual will receive another certification when scheduled, just as if employment had been properly certified. The following chart summarizes subsequent correspondence with the 99 individuals from the sample who failed to certify employment.

LEAA action	Debtors	Percentage of total not certifying
Second certification request sent	82	83
Bill sent	1	1
Neither second certification nor bill sent	16	16
Total	99	100

We could not determine why one individual was billed and 16 individuals received neither a bill nor a certification.

Incorrect certifications update individual master files

Many incorrectly completed certifications returned to LEAA are used to update master file records. Based on a statistical sample of returned certifications, we estimate that 12 percent of the returned certifications are incorrect. Errors include not signing the form, supervisor not signing, employer not identified, employment certified for a period less than requested, and employment with a non-law-enforcement or non-criminal-justice agency.

In some cases, the improper certifications resulted in forgiveness being granted for employment by an agency having only limited involvement with law enforcement or criminal justice. For example, individuals certified and received forgiveness for employment with the:

--Society for the Prevention of Cruelty to Animals,

--U.S. Department of Agriculture's Office of Investigation (internal auditor),

--Department of Consumer Affairs, and

--State Liquor Control Board.

One individual was unemployed and returned his certification requesting that LEAA defer his payments. The form was signed by the individual and an "unemployment insurance processor" for a city employment services division. LEAA did not defer the payments as requested, but forgave the individual's two grants totaling $302.

Correct certification not processed

When properly completed certifications are returned to LEAA, they are not always processed to update individual master files. We found that when individuals certified employment and changed their addresses, their accounts were not updated with the employment certification data and forgiveness was not granted. A sample of 300 address changes from 3,300 processed in June 1978 showed that 173 (58 percent) were valid employment certifications. None of these certifications was used to update an individual account.

Employment not certified yearly

In some cases, considerably more than a year elapses between employment certifications. A statistical sample of 500 individuals earning forgiveness and having an outstanding balance showed that 171 (34 percent) had not certified employment in over a year. One individual had not certified employment for 107 months and was still in the earning forgiveness status. The chart on the next page summarizes the number of months between employment certifications.

Months since last certification	Individual accounts	Percentage of 171 not certifying for over 1 year
13-15	22	13
16-18	37	22
19-24	20	12
25-35	26	15
36 and over	64	37
Unable to determine	2	1
Total	171	100

Of the 171 individuals who had not certified employment for over a year, 26 (15 percent) were not sent certification forms. We estimate that over 16,000 individuals who should receive annual certification forms have not received them for over 3 years.

The remaining 145 individuals were sent at least one employment certification subsequent to their last returned certification. We were not able to determine why the master file records for these individuals did not include an up-to-date certification. Either the certifications were not returned or they were not processed.

Validity of certification not tested

LEAA does not, even on a test basis, verify the employment data provided by individuals on the employment certification. We selected a statistical sample of the certifications processed during April and May 1978 and called the employer listed. We were able to contact the employers of 191 of 212 individuals. In each case, the employer confirmed that the individual was working for the agency or had in the past. In several cases, the employer only could certify employment for a period of time less than specified on the certifications. LEAA processed these forms as if the entire period were certified.

We were not able to contact the employers of 21 individuals. In some cases, the certification form did not include an employing agency or telephone number. In other cases, the employing agency refused to confirm employment by telephone.

Internal control weaknesses cause certification problems

Employment certification problems are directly related to the absence of internal controls to detect errors and alert management to breakdowns in the certification process. Controls should be established to ensure that

--a certification is sent to everyone who should receive one,

--returned certifications are processed,

--incorrectly completed forms are not processed,

--those who do not certify employment are billed, and

--employment information provided by aid recipients is accurate.

LEAA management needs to establish control over the certification process to detect and correct the type of errors we found. The computer program and master file of individuals' accounts should be reviewed and tested to ensure that certifications are sent to everyone who should receive one. Ongoing monitoring of the processing of returned certifications should be started. This monitoring should focus on accuracy of manual processing and ensure that only properly completed forms are input to the computer. The master file should be periodically tested, at least on a sample basis, to ensure that the forms properly update the file. At least annually, completed certifications should be sampled and the certified employer contacted by telephone or mail to verify the employment information.

We recognize that many certification forms are mailed, returned, and processed, and that establishing controls is difficult in such a situation. However, our review clearly showed that controls are needed to ensure accuracy and integrity of individual records and the LEEP accounting system.

CONCLUSIONS

LEAA management did not adequately control granting forgiveness and did not carry out the congressional mandate to forgive grants and loans only when the recipient was employed by a law enforcement or criminal justice agency for a specified period. Virtually anyone returning a certification could earn forgiveness, eligible or not. At the same time, some eligible aid recipients were are not given the forgiveness to which they were entitled.

The Department of Education management will need to establish better control over grant and loan forgiveness to ensure that forgiveness is awarded legally. The needed management control can be achieved by better internal control over computer and manual processing of the forgiveness certifications.

The new LEEP accounting system design includes many internal controls over the forgiveness and certification processes. The system's timely and effective implementation should solve many of the forgiveness problems we found.

RECOMMENDATIONS

We recommend that the Secretary of Education install the new accounting system and see that

- --a sample of forgiveness computations is verified at least annually,
- --tests are made to ensure that employment certification forms are sent to all aid recipients who should receive them,
- --the accuracy of returned certifications is verified, and
- --the program computing forgiveness is fully and accurately documented.

AGENCY COMMENTS AND OUR EVALUATION

In his March 13, 1980, letter, the Assistant Attorney General for Administration stated that improperly calculated forgiveness by the computer remains a major problem and that LEAA and various contractors have not been able to identify the cause of the computer program errors.

He said that a major problem with the employment certification process is LEAA's inability to obtain a correct address for each recipient. Statements for 50,000 accounts have been returned to LEAA because of bad addresses. He said that LEAA's ability to obtain addresses has been limited since the Internal Revenue Service stopped providing addresses in 1977. In December 1979, LEAA and the Internal Revenue Service signed an agreement whereby that agency will help obtain addresses for the 50,000 bad address accounts. This agreement cannot be implemented until privacy and security problems are resolved.

We believe that obtaining addresses from the Internal Revenue Service is a good way of reducing the number of individuals not receiving certifications but privacy and security problems must be properly resolved. However, additional controls must be implemented, as we recommended, to ensure that everyone who should receive a certification receives one and that only valid certifications update the master files.

CHAPTER 4

LOANS RECEIVABLE NOT ACCURATELY RECORDED AND REPORTED

LEAA should record and report loans receivable more accurately to establish and maintain effective financial control over LEEP. We estimate that the fiscal 1978 loans receivable balance of $149.6 million reported to Treasury is overstated by at least $72.4 million because there is no provision for loans and grants which will be forgiven. More overstatements occur because LEAA does not provide an allowance for uncollectible loans and grants. Further, LEAA makes additions, unsupported by accounting documentation, to the loans receivable balance. The unsupported amounts are to cover grants and loans awarded but not recorded in the accounting system at fiscal year end.

The overstatement of the loans receivable balance is primarily attributable to the lack of control over and the need for increased management attention to financial statement preparation.

REQUIREMENTS FOR RECORDING AND REPORTING LOANS RECEIVABLE

The Department of Justice accounting principles and standards, which have been approved by the Comptroller General, require the accurate and prompt recording of receivables and the establishment of allowance accounts for estimated receivables which may not be collected. In LEAA allowance accounts are especially needed because most grants and many loans are forgiven.

The Treasury Fiscal Requirement Manual requires agencies to annually report their loans receivable balances and related allowance accounts. For accounting and reporting purposes, grants are treated as if they were loans.

ALLOWANCE ACCOUNTS HAVE NOT BEEN ESTABLISHED

LEAA's financial statements reported to Treasury do not include an allowance for grants and loans that will be forgiven and those that will be uncollectible. As a result, the statements are inaccurate and misleading.

As of September 30, 1978, LEAA reported loans receivable of $149.6 million to the Treasury. We compared the grants and loans forgiven with those eligible for forgiveness, and, based on this comparison, estimate that at least $72.4 million of the reported $149.6 million of loans receivable will be forgiven rather than repaid. The amount forgiven could be even more if LEAA corrects errors in awarding forgiveness and forgives all the grants and loans that should be forgiven. (See ch. 3.)

Additional amounts will be uncollected because some individuals who should repay their grants and loans are unwilling or unable to repay. We were not able to estimate the amount of such losses because of a lack of data on past uncollectibles. LEAA usually does not write off grants and loans when payments are not made, but continues to bill nonpayers indefinitely and carries the account as a receivable. Even when individuals cannot be located and bills are returned by the Postal Service, the account is not written off. An aging report on the number and amount of past due accounts defining the length of time the accounts have been delinquent is not prepared. Such a report is a prerequisite for effective collection action and its absence, along with the lack of data on past bad debts, precluded us from estimating losses on loans and grants due to uncollectibility.

LEAA needs to estimate the amount of loans and grants which will be forgiven and the amount which will prove uncollectible and provide allowance accounts for these amounts. The allowance for forgiven grants and loans should be based on past experience. For uncollectible grants and loans, LEAA should review and age its accounts to determine the number of accounts and amount past due and the length of time since last payments. Based on this aging schedule, LEAA should estimate the amount that will prove uncollectible and provide an allowance for that amount. In addition, grants and loans which are unlikely to be collected should be written off and not carried as a receivable.

UNSUPPORTED ADDITIONS MADE TO LOANS RECEIVABLE BALANCE

LEAA made unsupported and undocumented additions to its loans receivable balance on the financial statements reported to the Treasury Department. During fiscal 1975 through 1978, these additions ranged from $8 million to $22 million. The following chart shows the loans receivable balance supported by accounting records and the amount reported to Treasury for these fiscal years.

Fiscal year	Loans Receivable Balance: Accounting records	Unsupported addition	Reported to Treasury
	(millions)		
1975	$131.5	$ 8.1	$139.6
1976	142.5	21.8	164.3
1977	138.6	15.0	153.6
1978	135.2	14.4	149.6

According to LEAA officials, the loans receivable balance was increased by the estimated amount of grants and loans given to students for the first semester or quarter and not processed by the accounting system at the end of the fiscal year. The amount added was 40 or 50 percent of either the LEEP appropriation for the fiscal year or the amount of funds available (current appropriation plus unused funds from prior years). LEAA officials told us that no documentation was available establishing a basis for the estimate.

We recognize that an estimate for grants and loans given but not yet processed by the accounting system is needed to accurately reflect the loans receivable balance. However, the amount estimated and added to the balance should be documented and based on historical data. Using 40 or 50 percent of the appropriation or funds available is inadequate. Most years the schools do not use all the funds available and some are carried over for the following year. For example, in fiscal 1978, $11 million was available from prior year appropriations. Secondly, it is unlikely that the schools give out 40 or 50 percent of their LEEP funds prior to the end of the fiscal year. They give grants and loans for the second semester, second, third and fourth quarters, summer sessions, and short sessions (called intersessions). All of these are subsequent to the end of the Federal Government's fiscal year.

The loans receivable balance reported to Treasury is overstated by the amount by which the unsupported addition exceeds the grants and loans given but not processed by the accounting system. We did not estimate this overstatement because data on unprocessed grants and loans was not readily available. LEAA needs to analyze the accounting records and the percentage of total yearly aid previously given in the first semester or quarter and base future estimates on that historical data. This would result in a more accurate loans

receivable balance and better financial reporting than provided by the present method.

CONCLUSIONS

The loans receivable accounting and reporting problems we identified indicate a need for more management emphasis on full disclosure of operating results and specific guidance on recording and reporting loans receivable. Accurate recording and reporting of loans receivable and allowances for forgiven and uncollectible grants and loans are essential if LEEP's financial position is to be fairly presented. In addition, accurate accounting for loans receivable is an important control over agency resources because it results in a systematic record of amounts due.

The new accounting system has provisions for allowance accounts, bad debt writeoffs, and estimating grants and loans given but not recorded in accounting records. If these provisions are implemented, the financial statements' accuracy should be substantially improved.

RECOMMENDATION

We recommend that the Secretary of Education ensure that the provisions in the new system for estimating allowance accounts, writing off bad debts, and estimating unrecorded grants and loans are properly and promptly implemented.

AGENCY COMMENTS AND OUR EVALUATION

In his March 13, 1980, letter, the Assistant Attorney General for Administration said that as indicated in the report the new LEEP accounting system provides for an allowance account, bad debt writeoffs, and estimating grants and loans awarded but not recorded in the accounting system. However, due to the impending transfer of LEEP to the Department of Education, he does not know whether the new system will be implemented.

The Assistant Attorney General did not agree with the report concerning the yearend loans receivable balance. He said

> "Contrary to the statement in the report that no documentation is available to support the amount of loans receivable at the end of the fiscal year, the amount of loans receivable is documented. The amount is based on an estimate not only of the first and traditionally the heaviest semester in student enrollment applicable to the current grant"

"award, but also on the unprocessed and/or not yet received notes applicable to the prior years' award(s)* * * the implication that the yearend receivable balance is estimated at 40 to 50 percent of the current year's appropriation is inaccurate."

The report does not state that documentation to support the yearend loans receivable balance is unavailable nor does it imply that the yearend balance is 40 to 50 percent of the current year's appropriation. The report states (p. 27) that the estimated amount added to the loans receivable balance to account for loans given but not processed by the accounting system was 40 or 50 percent of either the appropriation or funds available and that no documentation was available establishing a basis for the estimate.

The yearend loans receivable balance is partially supported as shown by the schedule on page 27. The amount added to the supported balance was between 40 and 50 percent of the appropriation and no documentation was available to verify the estimate. For fiscal 1976, 1977, and 1978, excluding the 1976 transition quarter, appropriations totaled $110 million and the amount added to the supported loans receivable balance was $51.2 million, about 46 percent of the appropriation. The man who prepared the fiscal 1978 Treasury report which included the loans receivable balance told us that he was going to add approximately 50 percent of the appropriation to the yearend balance. The fiscal 1978 appropriation was $30 million and $14.4 million (48 percent) was added to the supported loans receivable balance. He could not tell us how prior years' additions were determined although he thought a similar procedure was used. We did not find data to support the validity of the estimate and were told that no documentation was available. Further, the Assistant Attorney General's letter did not include supporting documentation. He did indicate, however, that procedures have been implemented which will improve the accuracy of the yearend loans receivable balance.

CHAPTER 5

BETTER CONTROLS NEEDED OVER LEEP ADMINISTRATION

Some schools we visited made loans to ineligible students and were not following administrative guidelines established by LEAA to ensure that LEEP functions as Congress intended. In addition, the schools did not adequately control the awarding of grants and loans which increases the potential for erroneous or fraudulent disbursements. These problems have not been detected and corrected because LEAA does not adequately monitor the schools' performance and compliance with the guidelines.

REQUIREMENTS FOR AWARDING GRANTS AND LOANS

The requirements for awarding grants and loans were established by Public Law 90-351 and were further defined in the Guidelines Manual LEAA provides to the schools. Grants may be given to part-time or full-time students but loans are limited to full-time students. In addition to being a full- or part-time student, an individual must be

--formally accepted for admission by the school,

--a degree candidate or meet the school's requirements for acceptance into a degree program, and

--enrolled in a course of study directly related to law enforcement or criminal justice.

The law and the manual limit grants to $400 per semester, $800 per school year (September-June), and an additional $400 for any summer school session. Loans are limited to $1,100 per semester, $2,200 per school year, and an additional $1,100 for summer school. In addition, grant and loan recipients may not receive LEEP funds from more than one institution for the same school term. A waiver may be approved if special circumstances require and if procedures are established to ensure that the awards do not exceed statutory limitations.

GRANTS AND LOANS ARE AWARDED TO INELIGIBLE STUDENTS

Our review indicated some problems in the awarding of grants and loans. We estimate that one school we visited made $61,000 in loans to ineligible students during 1977 and 1978. Other schools gave grants and loans to students for courses

of study unrelated to law enforcement. In addition, we found records of individuals who received LEEP funds concurrently from two schools.

Loans made to part-time students

Pepperdine University made loans to part-time students contrary to program regulations which limit loans to full-time students. Based on a random sample of grant and loan recipients at this school, we estimate that 70 part-time students received loans totaling $61,000 during school years 1977 and 1978.

Pepperdine University officials said they corrected the unauthorized loans but suspected our estimate included "part-time graduating students" who are eligible for loans. Our estimate did not include such students.

Grants and loans given for ineligible courses

Two schools we visited, St. Francis College and Long Island University, gave loans or grants to students who were not enrolled in a course of study related to law enforcement or criminal justice. The following chart summarizes the funding by these schools of students with ineligible or no majors.

School	Students with no major or ineligible majors	Amounts awarded
St. Francis College	11	$20,028
Long Island University	1	1,698
Total	12	$21,726

Examples of ineligible students receiving funding at these schools include:

--St. Francis gave grants and loans to students who were not enrolled in degree programs.

--Long Island University gave grants to a student obtaining a master's degree in accounting. The LEEP guidelines state that accounting personnel are supportive to law enforcement agencies and are not eligible for LEEP grants.

St. Francis officials told us that by January 1, 1980, all students receiving LEEP funds were registered in degree programs.

Individuals received concurrent LEEP assistance from two schools

At three schools we visited, Golden Gate University, California State University at Sacramento, and University of Southern California, students received awards at two schools during the same academic term--without obtaining a required waiver. One student received a $219 grant from California State University at Sacramento and a $189 grant from Golden Gate University for the same semester. The total of the two grants exceeded the $400 statutory grant limit. A University of Southern California student obtained concurrent awards for the same semester from the University of Southern California and Chapman College. 1/ A total of $949 in concurrent awards exceeded the maximum allowed.

The participating schools cannot determine whether an applicant for a grant or loan is receiving LEEP assistance at another school, but LEAA could establish controls to uncover such concurrent assistance. The computer program supporting the LEEP accounting system could be programmed to detect students receiving grants or loans from two schools for the same semester and produce a report for manual follow-up. This control could be accomplished with a minimum of computer programming and at little cost to LEAA.

LEEP ADMINISTRATIVE REQUIREMENTS

LEAA's Guidelines Manual requires that at least one full-time faculty member teach courses in the law enforcement or criminal justice related degree program in which LEEP students are enrolled. Students who receive LEEP grants or loans sign promissory notes obligating themselves to make repayments if they are not employed by a criminal justice or law enforcement agency. Schools are required to submit the notes to LEAA within 20 days after their rebate date (the last day a student can withdraw from a course without paying for it). These notes are the basic input documents for the accounting system and provide control over the amount of LEEP funds disbursed by the schools. LEAA reconciles the total amount of notes submitted with the amount of funds provided each school. It

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1/We did not review Chapman College's (Orange, California) administration of LEEP but detected the problem from LEAA and University of Southern California records.

is critical for program control that the schools promptly send their notes to LEAA to be reconciled.

SCHOOLS DO NOT FOLLOW ADMINISTRATIVE REGULATIONS

Some schools we visited did not follow the administrative and management control regulations LEAA provided in the Guidelines Manual. Specifically, we found problems with the assignment of faculty to LEEP-funded courses and with accounting for LEEP funds. As a result, the quality of LEEP-funded courses could be adversely affected and control over LEEP funds is reduced.

Full-time faculty not assigned to LEEP courses

The St. Francis College criminal justice program was staffed entirely by part-time professors. The school's application to participate in LEEP listed full-time faculty members, but none were assigned to the criminal justice program or taught the majority of their courses to law enforcement or criminal justice majors. St. Francis College was the only school where we found this problem, but it could be more widespread. An LEAA survey, the National Manpower Survey of the Criminal Justice System, reported that during the 1975-76 school year, 25 percent of the LEEP-supported criminal justice programs did not include a full-time faculty member.

In commenting on this section of the report, St. Francis officials acknowledged that at the time of the audit they lacked a full-time faculty member in the criminal justice program.

Inadequate accounting for LEEP funds

Most schools we visited did not send the students' promissory notes to LEAA within the 20 days required by the guidelines. The large number of notes handled by many schools coupled with needed internal processing makes it impractical to meet the 20-day deadline. However, one school, St. Francis College, was severely delinquent in submitting its notes.

LEAA gave St. Francis $250,000 for making grants and loans for the period August 1, 1977, to July 31, 1978. According to school officials, St. Francis awarded grants and loans totaling approximately $250,000 during the year, mostly in September 1977 and January 1978. As of December 1978, St. Francis had not provided LEAA any of the promissory notes to account for the funds received. As a result, LEAA was unable to reconcile the amounts given to St. Francis with amounts

disbursed by the school and LEAA accounting records were not promptly updated to reflect the grants and loans given by St. Francis.

St. Francis was the only school of the 13 we visited with serious note submission problems. However, LEAA has not been able to reconcile many schools' accounts for school years 1976 and 1977. Of 906 schools which received LEEP funds for school year 1977, 423 accounts (47 percent) had not been reconciled as of July 31, 1978. In many cases, these schools also had unreconciled accounts for school year 1976.

Because the accounts are unreconciled, LEAA does not know how much money the schools have disbursed and control over the funds awarded to the schools is lost. When the schools do not disburse all the money received, they are obligated to return the remainder. However, LEAA cannot determine if the schools have disbursed all funds and returned undisbursed funds unless the notes are received and the amount of notes reconciled with the amount of the funds given to the school. In addition, individual accounting records are not updated to reflect the grants and loans given and, as a result, LEAA's loans receivable balance is understated.

We recognize that other factors, such as errors in the notes and processing delays, contribute to the reconciliation problem. However, the major cause is the schools' failure to submit notes to LEAA within a reasonable time after grants and loans are made.

In his March 13, 1980, letter, the Assistant Attorney General for Administration said that since the audit was completed LEAA had reconciled over 2,000 accounts including all but 45 of 423 schools with unreconciled accounts from 1978.

LEEP STUDENT APPLICATION PROCESS NEEDS TO BE IMPROVED

The participating schools need to improve processing of applications for grants and loans to improve controls and minimize the potential for error and fraud. Most schools require students applying for grants and loans to complete application forms, including promissory notes, several months prior to the start of the course for which the students are requesting assistance. Prior to the start of courses some individuals decide not to accept the aid or their request for assistance may be denied by the school. However, the potential exists for their forms to be processed and notes submitted to LEAA.

We found cases where students, upon being billed by LEAA, said that they had not received LEEP assistance. In these cases, the schools had received money from LEAA for the student and had sent signed promissory notes to LEAA accounting for the funds received. For example:

--LEAA records indicated an individual received a grant in February 1977. This individual informed LEAA that he applied for LEEP aid but did not use it.

--Another individual who, according to LEAA records received a grant in June 1976, wrote to LEAA and said "I was going to attend courses * * * but dropped out * * * I filled out papers and forms and cancelled my LEEP request for funds."

--An individual with a grant from June 1976 on LEAA records told LEAA "I applied to go to school under the LEEP program * * * but I changed my mind and stopped the application in the same office. I never attended school under the LEEP program."

At the time we finished our work, LEAA had not resolved the problems with these individuals or the schools.

Another problem related to the application for LEEP assistance is that the amount of assistance applied for is not on the promissory note when it is signed by the applicant and the student does not know the amount of obligation being incurred. At 12 of the 13 schools we visited, students signed notes which did not include the amount of the grant or loan. The amount was subsequently added to the note by school officials when they received notice of their LEEP award for the year.

The promissory note is the primary source document for the LEEP accounting system and its accuracy is critical to proper system operation. Because most schools require applicants to sign their notes far in advance of the start of classes and without the amount of the grant or loan on the note, improper amounts may enter the accounting system. The complaints previously cited indicate that notes which should not have been processed were processed by the accounting system and raises the possibility that schools are submitting signed notes but not awarding grants and loans to the signers.

LEAA management needs to revise the guidelines to require that notes be signed when funds are received, not several months in advance. In addition, periodically a sample of notes received should be selected and the amounts of the grants and/or loans confirmed with the signers. This would guard

against the entry of erroneous or fraudulent amounts on the notes and reduce the potential for incorrect notes entering the accounting system.

PRIOR RECOGNITION OF LEEP ADMINISTRATIVE PROBLEMS

Other audit groups have reviewed LEEP administration by the schools and found problems similar to those we found. LEAA's Office of Audit and Investigation and the Department of Health, Education, and Welfare internal auditors have issued almost 150 audit reports on participating schools' LEEP administration. Major deficiencies in administration cited in these reports included:

--Inadequate accounting records.

--Poor controls over funds.

--Grants and loans awarded to ineligible students.

--Grants and loans not awarded in accordance with regulations.

The findings of the LEAA and Department of Health, Education, and Welfare auditors were similar to our findings of poor LEEP administration by the participating schools and indicate that improper administration is widespread.

LEAA DOES NOT ADEQUATELY MONITOR LEEP ADMINISTRATION

LEAA does not effectively monitor the administration of LEEP and the application of program guidelines by the participating schools. Only four program coordinators are assigned to monitor program implementation and operation by the almost 1,000 schools participating in LEEP. Since September 1977 the LEEP coordinators have conducted onsite reviews at only three schools. According to LEAA officials, the program coordinators have a very heavy workload which limits the time they can spend on monitoring schools. The coordinators have day-to-day management responsibility for the program and are the schools' primary, and in some cases, only contact with LEAA. They spend considerable time researching questions on program administration and answering correspondence from schools and congressional committee staffs.

Each participating school has designated a coordinator who is responsible for the schools' LEEP administration. These coordinators should follow the rules and regulations

established in the guidelines when authorizing grants or loans, accounting for LEEP funds, and administering the program. Many of the problems we found were directly related to incorrect guideline interpretation and implementation by school coordinators. The coordinators have problems understanding and interpreting the guidelines and have difficulty contacting the LEAA program coordinators for assistance. For example, during our visit to one school, the school coordinator was unable to contact the LEAA program coordinator despite repeated calls for 2 days.

CONCLUSIONS

Schools were not always effectively administering the program nor were they consistently following the regulations established by the LEEP guidelines. As a result, ineligible students received grants and loans, and control over fund disbursements was lost. Our review and internal audit reports indicate that schools have problems properly administering LEEP and corrective action is needed.

Additional management attention is needed to correct the problems we found and to guard against their recurrence. As a first step, the Department of Education should determine the amount of loans given by Pepperdine University to ineligible students and attempt to recover these amounts. Other schools receiving significant funds should be checked to determine if those schools are making loans to ineligible students. To prevent future improper loans and other deviations from regulations, the Department of Education needs to monitor the schools more closely and establish frequent contacts with the school program coordinators. The LEEP program coordinators should regularly visit participating schools to ensure proper and uniform implementation of regulations.

RECOMMENDATIONS

To establish effective control over LEEP administration we recommend that the Secretary of Education:

--Determine the full extent of loans made by schools to ineligible students since 1977 and attempt to recover those amounts from the schools.

--Better monitor schools' implementation of LEEP to assure proper administration of the program.

--Require regular onsite reviews of schools' implementation of LEEP guidelines.

--Start scheduled, periodic meetings between LEAA and school coordinators.

--Establish regulations requiring that promissory notes include the amount received and be signed when the funds are received.

--Periodically confirm, on a sample basis, note amounts with the note signers.

--Promptly reconcile funds provided to the schools with funds disbursed.

--Revise computer programs to incorporate various edits to detect concurrent awards to recipients.

AGENCY COMMENTS AND OUR EVALUATION

In his March 13, 1980, letter, the Assistant Attorney General for Administration agreed that monitoring of the schools had been weak--and in many cases nonexistent--and said that noncompliance with LEEP guidelines has been a problem since the program started. However, he believed that we did not adequately address the staffing limitations which cause the problems. He pointed out that since the regional offices were closed and LEEP centralized in 1977 each program coordinator must manage an average of 250 institutions. He said that the advantages of centralization have been maximized but there has been a loss of personal contact with school administrators which will continue until a larger investment is made in program management.

We recognize LEAA's staffing problems and discussed the program coordinator's heavy workload on page 36. In addition, the school LEEP coordinators we interviewed stated generally that monitoring and contact with LEAA officials substantially decreased when the regional offices were closed.

The Assistant Attorney General indicated some disagreement with our conclusions concerning an accounting major and students with no major receiving LEEP assistance (p. 31). He said that while accounting is not a generally approved study course it may be approved if an applicant's law enforcement duties require such a course. As an example, he said an accounting program was approved for a police officer working on "white collar crime." Concerning students with no majors, the Assistant Attorney General said that inservice students (those employed full time in law enforcement) do not have to be enrolled in a degree program. Such students are eligible for LEEP assistance as long as they are regularly enrolled and receiving full credit toward an eligible degree.

When we visited the school with the accounting major we found no documentation to indicate that special consideration was given for job duties or that LEAA was asked to approve

the course as an exception to guidelines. When an individual does not indicate a major it is difficult to determine if the courses taken will be applicable to an eligible major. The absence of a major may also indicate a student's lack of commitment to a law enforcement education and career and thus make LEEP aid inappropriate. In addition, St. Francis College indicated agreement with the report and said all LEEP students are now enrolled in degree programs.

The Assistant Attorney General also said he did not believe that major revisions in the current application processing system are required to prevent fraudulent processing of notes. He said that students occasionally complain about being billed for funds not received but LEAA generally found the billing to be correct. He believed that there were only a minimal number of areas of potential fraud and pointed out that actual fraud had not been established. He stated that monitoring of the institutions to ensure guideline compliance would probably further reduce the problems encountered and the potential for fraud.

The report does not recommend major revisions in the student application process. We recommended relatively minor changes to the Guidelines Manual to require that notes include the amount of the grant or loan when signed and that the notes be signed when funds are received. These requirements are basic to all credit agreements. It is a poor practice to have individuals sign blank promissory notes long before receiving the funds the individuals are obligating themselves to repay. This type arrangement invites fraud and abuse. In addition, we recommended that a sample of notes be confirmed periodically. This should require minimum effort because a promissory note includes the aid recipient's current address.

We agree with the Assistant Attorney General that we found no fraud. However, the potential for fraud exists and it must be minimized. The changes we recommended plus additional monitoring would minimize the potential for diverting LEEP funds to personal or school use.

The Assistant Attorney General agreed that better monitoring of schools is needed but disagreed with the conclusion that school LEEP coordinators have difficulty contacting LEAA program coordinators. He said that the example cited in the report was an isolated incident.

Most school coordinators we interviewed said that they have had problems contacting LEAA since the regional offices closed. The example cited occurred when we were at a school and was intended to illustrate the problems the school coordinators have in reaching LEAA. Based on what the school coordinators told us, we do not believe it is an isolated case.

CHAPTER 6

SCOPE OF REVIEW

Our review was designed to determine the adequacy of the LEAA policies and procedures used to establish, control, account for, bill, and collect LEEP grants and loans. We concentrated on the LEEP accounting system and the controls over and accuracy of financial records. We gave special attention to the major computer program supporting the accounting system because it is vital to effective system operation.

We reviewed the legislation establishing LEAA and authorizing LEEP; analyzed LEAA regulations, reviewed accounting procedures, document flows, and reports; and tested the establishment and maintenance of accounting records, billing, collections, and forgiveness computations. We interviewed LEAA officials responsible for the LEEP accounting system and those responsible for LEEP program management. In addition we interviewed officials and examined student records at 13 schools participating in LEEP.

We relied heavily on statistical sampling in testing the LEEP accounting system and program administration by the various participating schools. Based on a sample of accounting records and student files, we drew conclusions about the overall accuracy of individual records, billings, and collections and the schools' adherence to LEEP regulations. The results from a statistical sample are always subject to some uncertainty (that is, sampling error) because only a portion of the universe has been selected for analysis. The sampling error consists of two parts: confidence level and range. The confidence level indicates the degree of confidence that can be placed on the estimates derived from the sample. The range is the upper and lower limits between which the actual universe value will be found.

For example, a random sample of bills sent to LEEP recipients showed that 84 percent of the sampled individuals did not pay their bills. Using the sampling error formula, we were 95 percent confident that the true percentage in the universe of bill recipients would be within plus or minus 10 percent of the sample results. Thus, if all billed individuals were checked, the chances would be 95 in 100 that the actual percentage that did not pay its bills was between 74 and 94 percent. All the samples we selected provided 95 percent confidence but the sampling error varied depending on whether we tested bills returned, billing accuracy, forgiveness calculations, returned certifications, or student files. The sampling errors for the various samples we selected follow:

1.	Inaccurate bills (ch. 2)	± 10%
2.	Improperly accrued interest (ch. 2)	± $33,000
3.	Bill not paid (ch. 2)	± 10%
4.	Accounts improperly forgiven (ch. 3)	± 12%
5.	Amount improperly forgiven (ch. 3)	± $22,000
6.	Certifications not returned (ch. 3)	± 5%
7.	Improper certifications updated master file (ch. 3)	± 5%
8.	Part-time students receiving loan (ch. 5)	± 16
9.	Amount of loan to part-time students (ch. 5)	± $18,500

We randomly selected 200 bills from the 15,000 sent one quarter, 500 employment verifications from the 42,000 sent one quarter, and 500 individual accounts earning forgiveness from a universe of about 150,000 accounts. At each school we reviewed, we randomly selected 50 to 61 student files for verification. The universes of students varied from 61 to over 500. At the school with 61 students we reviewed all student files.

We made this review at LEAA Headquarters, Washington, D.C., and at the following colleges and universities:

1.	California State University, Sacramento	Sacramento, CA
2.	John Jay College of Criminal Justice	New York, NY
3.	Fordham University	New York, NY
4.	Golden Gate University	San Francisco, CA
5.	Long Island University - C. W. Post Center	Greenvale, NY
6.	Pepperdine University	Los Angeles, CA
7.	Rollins College	Winter Park, FL
8.	St. Francis College	Brooklyn, NY
9.	The American University	Washington, DC
10.	University of Southern California	Los Angeles, CA
11.	University of South Florida	Tampa, FL
12.	University of Tampa	Tampa, FL
13.	Valencia Community College	Orlando, FL

UNITED STATES DEPARTMENT OF JUSTICE

WASHINGTON, D.C. 20530

Address Reply to the Division Indicated and Refer to Initials and Number

MAR 13 1980

Mr. Allen R. Voss
Director
General Government Division
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Voss:

This letter is in response to your request for comments on the draft report relating to the Law Enforcement Education Program (LEEP).

We are in general agreement with the findings and recommendations contained in the report. However, we believe the report should have addressed some of the causes of the problems cited and the actions taken during calendar year 1979 to alleviate a number of them. We have already implemented some of the General Accounting Office's (GAO) recommendations by changing procedures or refocusing priorities. Although much remains to be done, including implementing the new LEEP accounting system approved in September 1979 by the Comptroller General, a number of significant achievements have been accomplished. These, as well as a discussion of some of the problems associated with administering the LEEP program, are discussed below.

As pointed out in Chapter 2 of the report, most billing errors occur because the computer program supporting the accounting system improperly computes interest owed or the amount of payment required. LEAA recognized this problem very early and made many attempts, with limited success over a period of several years, to correct the problems associated with the computer program. In 1977, LEAA initiated development of a new LEEP accounting system which was approved by the Comptroller General in 1979. Implementation of the system, which ultimately would necessitate design of a new computer program, was not started due to the anticipated transfer of the LEEP program to the Department of Education. The large volume of student notes and lack of staff resources have necessitated correcting transactions on an exception basis, primarily those based on individual complaints. In fiscal year 1979, the LEEP accounting staff received, reviewed, and processed the following documents:

LEEP Schools

Advances paid	2,760
Rebates processed	785
Grants obligated	901
Grant adjustment notices	1,428
Grants reconciled and closed	2,220
Accrued expenditure reports	6,316

LEEP Students

Correspondence answered	9,140
Statements of LEEP accounts mailed	305,764
Student certification and notes processed	173,572
Checks deposited	9,312

These statistics do not include all of the associated documents which were processed and do not include the multitudinous lines of coding and subsequent edit listings which had to be corrected. In LEAA, four full-time, two part-time, and 12 student aides who work 16 hours per week, are responsible for maintaining over 200,000 student accounts. By contrast, in fiscal year 1979, a staff of over 900 Department of Health, Education, and Welfare (DHEW) personnel maintained approximately 540,000 student accounts. These statistics indicate a ratio of approximately 500 accounts per staff member for DHEW compared to approximately 18,000 accounts per staff member for LEAA.

In 1979, LEAA initiated a major effort to reduce delinquent accounts. During May of 1979, LEAA sent 16,000 delinquency letters to LEEP recipients who had been identified by the system as being in a repayment status but had not responded to bills sent during the last 6 months. As a result of these letters, 31 percent of the accounts (5,000 accounts) were removed from the active delinquency files. Almost half the responses, about 2,500, were in the form of employment verifications. These individuals should never have been considered delinquent since they were continuously employed within the criminal justice system. They did not respond to our regular statements because they were misinformed by their school or by their employer, or simply were not aware of their obligation to confirm their employment status with LEAA.

In October 1979, a second, stronger-worded letter was mailed to the 11,000 individuals who failed to respond to the first letter. Although actual figures are not available at this time, we anticipate a marked increase in cash receipts based on the initial responses. GAO's suggestion to follow-up the letters with telephone calls is apt, but cannot currently be accomplished with LEAA's limited resources.

New check processing and depositing procedures, which meet Department of Treasury and GAO requirements and standards, have been implemented. The Office of Audit and Investigation recently reviewed check handling procedures and recommended changes were adopted to further strengthen control over cash receipts.

A major problem with the employment certification process not brought out in Chapter 3 of the report is LEAA's inability to secure a correct address for each recipient. Currently, LEAA has over 50,000 accounts for which statements were forwarded but subsequently returned due to incorrect addresses. The most cost-effective and principal means of locating LEAA recipients is through the cooperation of the Internal Revenue Service (IRS). However, in 1977 IRS discontinued service under Project 719 which provided taxpayer addresses for recipients whose bills were returned for incorrect addresses or no forwarding addresses. An interagency agreement was signed with IRS in December 1979 for processing assistance on the more than 50,000 accounts. However, this agreement cannot be implemented until privacy and security problems raised by IRS are fully resolved.

Improperly calculated forgiveness computations made by the computer continue to be a major problem. LEAA and various contractors have yet to identify the cause of the computer program errors.

As indicated in Chapter 4 of the report, the new LEEP accounting system ". . . has provisions for allowance accounts, bad debt write-offs, and estimating grants and loans given but not recorded in the accounting records." In view of the pending transfer of the LEEP program to the Department of Education, we do not know whether the new accounting system will be implemented or the LEEP program integrated into the Department of Education's existing accounting system.

Contrary to the statement in the report that no documentation is available to support the amount of loans

receivable at the end of the fiscal year, the amount of loans receivable is documented. The amount is based on an estimate not only of the first and traditionally the heaviest semester in student enrollment applicable to the current grant award, but also on the unprocessed and/or not yet received notes applicable to the prior years' award(s). As stated in Chapter 5, there is a significant delay in schools forwarding the student notes to LEAA, which may tend to overstate the estimated amount of loans receivable for the prior years. However, the implication that the year-end receivable balance is estimated at 40 to 50 percent of the current year's appropriation is inaccurate. We have recently implemented a system that withholds advances until notes from the prior terms have been submitted. We believe this procedure will improve the accuracy of the loans receivable balance at year end.

The problems discussed in Chapter 5 deal primarily with the issue of how diligently the schools apply or enforce LEEP requirements, namely, the awarding of grants and loans, assigning faculty to LEEP courses, and selecting sites to conduct classes. The report aptly recognizes that LEAA monitoring has been weak and in many instances nonexistent. The report, however, does not adequately deal with the cause of many of these problems. Also, based on the reported findings, we believe the following broad, critical statement of the LEEP administration is unjustified: "The 13 schools we visited are not effectively administrating the program nor are they following the regulations established by the LEEP guideline manual." Of the 13 schools, only seven indicated a total of 11 problems. Most of these problems were minor and some were not confirmed as actual guideline violations.

Although noncompliance with the LEEP Guideline Manual has been a problem to some degree since inception of the program, LEAA's staff resources devoted to overseeing schools' adherence to LEEP regulations were severely curtailed in 1977 with the closing of the ten regional offices. Each regional office was staffed with one, and in some instances, two LEEP specialists whose primary duties were to monitor the activities of the LEEP schools. Since the closing of the regional offices, these functions have been performed by four LEEP specialists located in Washington, D.C. Consequently, each of the four specialists is presently assigned an average of 250 schools.

The report states that grants and loans are being given for ineligible courses. We believe GAO may misunderstand what constitutes an eligible major. LEEP guidelines list degree programs for which in-service students may receive LEEP support. Business, business administration, and management science are among the approved courses. While accounting is not a generally approved course of study, it can be given special consideration if an in-service applicant's duties require this type of educational training. For example, a police officer working on "white collar crime" cases was approved in an accounting program. However, pre-service students can only major in one of the degree programs listed in the LEEP Guideline Manual. Consequently, GAO must distinguish between in-service and pre-service recipients before we can provide appropriate comments on their findings. As to the "students with no major," in-service LEEP recipients do not have to be matriculated into a degree program to be eligible as long as the student is otherwise regularly enrolled and receiving full credit which will be applicable toward an eligible degree.

The report states that the LEEP student application process needs to be improved. We do not believe that major revisions in the current application processing system are required in order to prevent the fraudulent processing of notes. We are aware that students occasionally write us stating that they never received the funds for which they are being billed, that they withdrew from class, or that they requested the instructor to cancel their LEEP award. In investigating these complaints, we have generally found that withdrawal was proper but occurred after the close of the tuition rebate period or the proper officials were not notified and, therefore, the bill was proper.

Taking into account the number of LEEP notes processed each year, we believe that correspondence and audit findings have disclosed a minimal number of problems or areas of potential fraud. Actual fraud has not been established in any of these instances. The monitoring of participating institutions to assure compliance with the guidelines will probably further reduce the problems encountered and the potential for fraud.

We agree with the audit findings that effective on-site monitoring is not being conducted to maximize control over the administration of LEEP and to assure the application of program guidelines at participating institutions, and that only three monitoring visits have been conducted since

administration of the program has been centralized in the Washington, D.C. office. When the administration of LEEP was regionalized, significantly more monitoring was conducted by regional personnel because of the commitment of adequate staffs and travel funds by the regional offices. These monitoring visits were extremely helpful to program administration, primarily because of the improved lines of communication that resulted from the personal contacts and the fact that the visits encouraged school personnel to ask questions and to seek assistance.

In anticipation of the closing of LEAA's ten regional offices on September 10, 1977, and in realization that the program would have to be administered with a much smaller staff, the Office of Criminal Justice Education and Training (OCJET) requested funds to conduct an assessment of the extent of compliance or noncompliance of LEEP participating institutions with program guidelines and participation criteria. OCJET received $275,000 from the National Institute of Law Enforcement and Criminal Justice, and in the spring of 1977, contracted with Stanford Research Institute for a 2-year project on the development and implementation of measurement techniques for special participation criteria and assessment of program quality. LEEP assessment instruments were administered to over 1,000 LEEP participating institutions in 1977 and again during the 1979-80 application cycle. Because funds to complete the project were not forthcoming, due to fiscal constraints imposed by declining congressional appropriations, the project was terminated before the evaluation was completed.

We also agree with GAO's conclusions that many of the problems in LEEP administration result from the institutional coordinators not understanding and, therefore, not properly implementing guideline provisions. However, we disagree with the general conclusion that LEEP coordinators have difficulty contacting our program coordinators. We believe that the example GAO cites is an isolated instance.

GAO states that some schools do not have full-time faculty assigned to their criminal justice programs as required by the LEEP Guideline Manual and that some are in violation of LLEP off-campus site requirements. The LEEP Guideline Manual states that no crime-related degree program will be conducted with only part-time faculty members. Prior to 1976, the LEEP-1 (Institution application) requested information concerning the number of part-time and full-time

GAO Note: Paragraph two essentially confirms our finding that guideline compliance has not been monitored. This comment was not addressed specifically in the report because it only restates Justices' general agreement with the findings and conclusions.

faculty members in the crime-related degree program. All LEEP schools are required to have at least one full-time faculty member teaching in the crime-related degree program. Schools failing to meet this criterion were restricted to funding only those students who qualified as returning or transferring. This policy forced those schools not committed to criminal justice education to eventually drop out of the program. A full-time faculty member holds a full-time appointment within a crime-related degree program and teaches a minimum of 50 percent of his/her course load in a crime-related degree program.

Regarding the use of non-neutral off-campus class settings, the program guidelines require all locations off the main campus to be held in neutral environments with access to adequate library and other student facilities. Before approval is given for the use of LEEP funds at off-campus locations, we require the school to forward a detailed description of the site(s) to be used. If the site(s) described do not meet program criteria, LEEP funds are prohibited for use at the site(s). Again, because of inadequate staff and insufficient funds, we have been unable to visit the hundreds of off-campus sites that are used by LEEP participants. Consequently, we must rely on the completeness and accuracy of information provided by LEEP schools. In the example cited in the report (American University), the neutrality of the sites at that time was not based on location, but on course content and the fact that student enrollees were both pre-service and in-service students. The only controversial American University site currently in use is the Police Academy. The use of this site for school year 1980-81 is contingent upon American University's ability to demonstrate to the LEEP administration that students enrolled in the courses at this site are both pre-service and in-service students.

The report states that LEAA has not been able to reconcile many schools' accounts for school years 1976 and 1977. Since the GAO audit, LEAA has made a concerted effort to reconcile institutional accounts. During calendar year 1979, over 2,000 accounts were reconciled approximating $20 million. Accounts of all but 45 of the 423 schools mentioned in the report have been reconciled.

GAO Note: Discussion of the use of non-neutral off campus class settings was deleted from the final report. This was a minor technical point and its elimination did not materially change GAO's conclusions and recommendations.

Every effort has been made to maximize administration of the LEEP program at the Washington level since the closing of the regional offices in late 1977. However, despite our efforts, the loss of personal contacts with school administrators and students formerly conducted at the regional level, and the assignment of an average workload of 250 schools to each of four coordinators, will continue to be a serious impediment to effective program administration until an additional investment of personnel and monetary resources are made available.

In conclusion, we would like to point out that although the LEEP program is being transferred to the Department of Education, the Department remains committed to its success. Department of Education and LEAA transition teams have been working together, and will continue to do so after the transfer, to assure that the LEAA program is as successful as possible.

We appreciate the opportunity to comment on the report. Should you require any additional information, please feel free to contact us.

Sincerely,

Kevin D. Rooney
Assistant Attorney General
for Administration

APPENDIX II

St. Francis College

180 Remsen Street
Brooklyn, N. Y. 11201

212 - 522-2300

Office of Financial Aid

January 31, 1980

Mr. Jeffrey C. Steinhoff
Group Director - Systems-in-Operation
FGMSD
U.S. General Accounting Office
Room 6023
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Steinhoff:

As the LEEP Coordinator at St. Francis College, I would like to take this opportunity to comment on the chapter five of the draft of the GAO report. These matters have been discussed with the Academic Dean.

First, at the top of page 29, St. Francis College is noted to have eleven students with no major or an improper major, for awards totalling $20028. The number cited does not indicate how many students are in each category. At present there are no students receiving LEEP funds who are not registered in a degree program. Further, examples are given of improper funding to students whose major is business management or accounting. This seems somewhat confusing as Appendix 9 of the LEEP Guideline Manual lists business administration as an acceptable major.

Second, page 30 of the draft points out that St. Francis College lacked full time faculty in Criminal Justice. This was a valid statement at the time of the audit. A full time faculty member was hired for the Criminal Justice Department and was the Acting Chairperson of the department. Towards the end of academic year 1978-79 he died. The position was then advertised for the 1979-80 academic year, and after interviewing several candidates, a contract was offered to one applicant. This candidate withdrew the day before the fall 1979 semester started. The budget line for a full-time faculty member in the Department of Criminal Justice remains active.

Please do not hesitate to contact me should you need any additional information.

Sincerely,

Anita Ruchotsky
Director of Financial Aid

AR/lm

APPENDIX II

Pepperdine
University

Criminal Justice Program/ LEEP

February 11th, 1980

Mr. Jeffrey C. Steinhoff
Group Director-System-in-Operation
FGMSD
U.S. General Accounting Office
Room 6023
441 G. Street, N.W.
Washington, D.C. 20548

Dear Mr. Steinhoff:

Thank you very much for giving us an opportunity to comment on your report before submission to Congress.

In reference to Loans made to part-time students, your report has indicated that Pepperdine University had an estimate of seventy loans extended to ineligible students during fiscal year 1977. I am glad to inform you that all violations have been rectified. However, we suspect some of the graduating students, who needed only a part-time load during their last trimester, were also included in your estimations. These "part-time-graduating students" should be eligible for both loan and grant just like any full-time students. I am most certain that you can understand such rationale.

Again thank you very much for your letter and cooperation. Please send us your final report upon completion.

Sincerely,

Joseph K. Chen

Joseph K. Chen, Director
Criminal Justice Program/LEEP

JKC/sab

(901270)